

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Dryden	County Lapeer
Fiscal Year End February 28, 2007	Opinion Date July 16, 2007	Date Audit Report Submitted to State August 3, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Andrews Hooper & Pavlik P.L.C.		Telephone Number 248.340.6050	
Street Address 3201 University Drive Suite 350		City Auburn Hills	State MI
Authorizing CPA Signature 		Printed Name Colleen P. Cavanaugh	Zip 48326
		License Number 1101028252	

**AUDITED FINANCIAL STATEMENTS**

**VILLAGE OF DRYDEN  
LAPEER COUNTY, MICHIGAN**

*Year ended February 28, 2007  
with Report of Independent Auditors*

Village Officials

President:	Patrick Betcher
Clerk/Treasurer:	Janice Kent
Council:	John Kelso Stan Roszczewski Jeff Nash Steven Ellis Jim Lukas Jeff Quail

**VILLAGE OF DRYDEN  
LAPEER COUNTY, MICHIGAN**

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ANDREWS HOOPER & PAVLIK P.L.C.  
Certified Public Accountants

**REPORT OF INDEPENDENT AUDITORS**

To the Village Officials  
Village of Dryden  
Dryden, Michigan 48428

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Village of Dryden (the "Village"), as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Village of Dryden, as of February 28, 2007, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village of Dryden has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information listed in the table of contents is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Dryden's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Andrews Hooper & Pavlik P.L.C.*

Auburn Hills, Michigan  
July 16, 2007

Village of Dryden  
Statement of Net Assets  
February 28, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 783,888	\$ 55,509	\$ 839,397
Investments	400,000		400,000
Accounts receivable		39,720	39,720
Restricted asset - accounts receivable		52,259	52,259
Due from other governments	99,301		99,301
Due from other funds	70,991		70,991
Total current assets	<u>1,354,180</u>	<u>147,488</u>	<u>1,501,668</u>
Capital assets			
Property, plant and equipment	488,449	4,453,061	4,941,510
Less accumulated depreciation	<u>(261,219)</u>	<u>(1,273,695)</u>	<u>(1,534,914)</u>
Net capital assets	<u>227,230</u>	<u>3,179,366</u>	<u>3,406,596</u>
Other assets			
Deferred charge		44,874	44,874
Total assets	<u>1,581,410</u>	<u>3,371,728</u>	<u>4,953,138</u>
Liabilities			
Current liabilities			
Accounts payable	17,457	24,825	42,282
Accrued expenses	15,326	1,864	17,190
Accrued interest		21,940	21,940
Due to other funds		70,991	70,991
Deferred income		7,229	7,229
Current portion of long-term liabilities		146,000	146,000
Total current liabilities	<u>32,783</u>	<u>272,849</u>	<u>305,632</u>
Long-term liabilities			
Land contract payable		566	566
Refunding bonds payable		845,000	845,000
Revolving fund loan payable		656,507	656,507
Total long-term liabilities		<u>1,502,073</u>	<u>1,502,073</u>
Total liabilities	<u>32,783</u>	<u>1,774,922</u>	<u>1,807,705</u>
Net assets			
Invested in capital assets, net of related debt	227,230	1,531,293	1,758,523
Restricted - expendable for debt payment		52,259	52,259
Unrestricted	1,321,397	13,254	1,334,651
Total net assets	<u>\$ 1,548,627</u>	<u>\$ 1,596,806</u>	<u>\$ 3,145,433</u>

See accompanying notes to the financial statements.

Village of Dryden  
Statement of Activities  
Year ended February 28, 2007

	<b>Net (Expense) Revenue and Changes in Net Assets</b>				
	<u>Expenses</u>	<u>Program Revenues</u>	<u>Primary Government</u>		
		<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Functions and programs					
Governmental activities					
Legislative	\$ 13,500		\$ (13,500)		\$ (13,500)
General government	165,354	\$ 27,112	(138,242)		(138,242)
Public works	155,081		(155,081)		(155,081)
Total governmental activities	333,935	27,112	(306,823)		(306,823)
Business-type activities					
Water and sewer	341,845	242,984		\$ (98,861)	(98,861)
Total primary government	<u>\$ 675,780</u>	<u>\$ 270,096</u>	<u>(306,823)</u>	<u>(98,861)</u>	<u>(405,684)</u>
General revenues					
Property taxes			337,877		337,877
State shared revenues			126,179		126,179
Unrestricted investment earnings			45,774	3,839	49,613
Other			5,395	45,273	50,668
Transfers			(25,000)	25,000	
Total general revenues, special items and transfers			490,225	74,112	564,337
Change in net assets			183,402	(24,749)	158,653
Net assets, beginning of year			1,365,225	1,621,555	2,986,780
Net assets, end of year			<u>\$ 1,548,627</u>	<u>\$ 1,596,806</u>	<u>\$ 3,145,433</u>

Village of Dryden  
Balance Sheet  
Governmental Funds  
February 28, 2007

	<b>General Fund</b>	<b>Major Street Fund</b>	<b>Downtown Development Authority</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 286,848	\$ 170,909	\$ 127,761	\$ 198,370	\$ 783,888
Investments			400,000		400,000
Due from other governments	11,544	8,213	77,342	2,202	99,301
Due from other funds	137,010		50,334	33,121	220,465
Total assets	<u>\$ 435,402</u>	<u>\$ 179,122</u>	<u>\$ 655,437</u>	<u>\$ 233,693</u>	<u>\$ 1,503,654</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 11,674	\$ 2,945		\$ 2,838	\$ 17,457
Accrued expenses	14,177	880		269	15,326
Due to other funds	83,455	28,111		37,908	149,474
Total liabilities	<u>109,306</u>	<u>31,936</u>		<u>41,015</u>	<u>182,257</u>
<b>Fund balances</b>					
Unreserved and undesignated	<u>326,096</u>	<u>147,186</u>	<u>\$ 655,437</u>	<u>192,678</u>	<u>1,321,397</u>
Total fund balances	<u>326,096</u>	<u>147,186</u>	<u>655,437</u>	<u>192,678</u>	<u>1,321,397</u>
Total liabilities and fund balances	<u>\$ 435,402</u>	<u>\$ 179,122</u>	<u>\$ 655,437</u>	<u>\$ 233,693</u>	<u>\$ 1,503,654</u>

Village of Dryden  
Reconciliation of Fund Balances to the Statement of Net Assets  
Governmental Funds  
February 28, 2007

<b>Fund Balance - Total Governmental Funds</b>	\$ 1,321,397
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Amounts reported for governmental activities in the statement of  
net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>227,230</u>
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<b>Net Assets - Governmental Activities</b>	<u><u>\$ 1,548,627</u></u>
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Village of Dryden  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended February 28, 2007

	<b>General</b>	<b>Major Street Fund</b>	<b>Downtown Development Authority</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Revenues					
Property taxes	\$ 176,927		\$ 127,677	\$ 33,273	\$ 337,877
Intergovernmental	70,350	\$ 44,684		11,145	126,179
Charges for services	2,890			20,947	23,837
Rental income	3,275				3,275
Interest	11,326	5,932	20,692	7,824	45,774
Other	4,670			725	5,395
Total revenues	<u>269,438</u>	<u>50,616</u>	<u>148,369</u>	<u>73,914</u>	<u>542,337</u>
Expenditures					
Current					
Legislative	13,500				13,500
General government	108,798		13,424	19,820	142,042
Public works	76,338	35,280		43,463	155,081
Capital outlay	6,124		5,045		11,169
Total expenditures	<u>204,760</u>	<u>35,280</u>	<u>18,469</u>	<u>63,283</u>	<u>321,792</u>
Excess of revenues over (under) expenditures	<u>64,678</u>	<u>15,336</u>	<u>129,900</u>	<u>10,631</u>	<u>220,545</u>
Other financing sources (uses)					
Transfers in				87,609	87,609
Transfers out			(25,000)	(87,609)	(112,609)
Total other financing sources (uses)			<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
Changes in fund balances	64,678	15,336	104,900	10,631	195,545
Fund balance, beginning of year	261,418	131,850	550,537	182,047	1,125,852
Fund balance, end of year	<u>\$ 326,096</u>	<u>\$ 147,186</u>	<u>\$ 655,437</u>	<u>\$ 192,678</u>	<u>\$ 1,321,397</u>

Village of Dryden  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
Year ended February 28, 2007

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 195,545</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Capital asset purchases capitalized	11,169
Depreciation expense	(23,312)
	<u>(12,143)</u>

<b>Net Change in Net Assets of Governmental Activities</b>	<b><u>\$ 183,402</u></b>
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Village of Dryden  
Statement of Net Assets  
Proprietary Funds  
February 28, 2007

	<b>Business-Type Activities Enterprise Funds</b>
	<b>Water &amp; Sewer</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 55,509
Accounts receivable	39,720
Restricted asset - accounts receivable	52,259
Total current assets	<u>147,488</u>
Capital assets	
Property, plant and equipment	4,453,061
Less accumulated depreciation	<u>(1,273,695)</u>
Net capital assets	<u>3,179,366</u>
Other assets	
Deferred charge	<u>44,874</u>
Total assets	<u>3,371,728</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	24,825
Accrued expenses	1,864
Accrued interest on bonds and capital leases	21,940
Due to other funds	70,991
Deferred income	7,229
Current portion of long-term liabilities	146,000
Total current liabilities	<u>272,849</u>
Long-term liabilities	
Land contract payable	566
Refunding bonds payable	845,000
Revolving fund loan payable	656,507
Total long-term liabilities	<u>1,502,073</u>
Total liabilities	<u>1,774,922</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,531,293
Restricted - expendable for debt payment	52,259
Unrestricted	13,254
Total net assets	<u>\$ 1,596,806</u>

Village of Dryden  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
Year ended February 28, 2007

	<b>Business-Type Activities Enterprise Funds</b>
	<b>Water &amp; Sewer</b>
Operating revenues	
Charges for services	\$ 242,984
Rental income	31,691
Other income	13,582
Total operating revenues	<u>288,257</u>
Operating expenses	
Personnel services	37,935
Contracted services	92,282
Supplies	28,125
Utilities	6,978
Depreciation	87,008
Amortization of deferred charges	4,080
Benefit payments	19,621
Repair and maintenance	12,480
Other expenses	3,690
Total operating expenses	<u>292,199</u>
Operating income (loss)	(3,942)
Non-operating revenues (expenses)	
Interest income	3,839
Interest expense	(49,646)
Total non-operating revenue and (expenses)	<u>(45,807)</u>
Operating income (loss) before transfers and capital contributions	(49,749)
Other financing sources (uses)	
Transfers in	<u>25,000</u>
Total other financing sources (uses)	<u>25,000</u>
Change in net assets	(24,749)
Net assets, beginning	<u>1,621,555</u>
Net assets, ending	<u><u>\$ 1,596,806</u></u>

Village of Dryden  
Statement of Cash Flows  
Proprietary Funds  
Year ended February 28, 2007

	<b>Business-Type Activities Enterprise Funds</b>
	<b>Water &amp; Sewer</b>
Cash flows from operating activities	
Cash received from users	\$ 241,703
Cash paid to employees and vendors	(182,743)
Cash received from other funds	16,749
Net cash flows from operating activities	<u>75,709</u>
Cash flows from non-capital financing activities	
Transfers in	25,000
Net cash flows from capital financing activities	<u>25,000</u>
Cash flows used by capital and related financing activities	
Payments on long-term debt	(46,414)
Interest paid on long-term debt	(37,037)
Net cash flows used by capital and related financing activities	<u>(83,451)</u>
Cash flows used by investing activities	
Acquisition of fixed assets	(88,202)
Interest on investments	3,839
Net cash flows from investing activities	<u>(84,363)</u>
Decrease in cash and cash equivalents	(67,105)
Cash and cash equivalents, beginning of year	122,614
Cash and cash equivalents, end of year	<u><u>\$ 55,509</u></u>
Classified as:	
Current assets	<u><u>\$ 55,509</u></u>
Reconciliation of operating loss to net cash flows from operating activities	
Operating income (loss)	\$ (3,942)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	87,008
Amortization of deferred charges	4,080
Increase in deferred income	1,977
Increase in accounts receivable	(48,531)
Increase in accounts payable	17,299
Increase in accrued expenses	1,069
Increase in amounts due to other funds	16,749
Net cash flows from operating activities	<u><u>\$ 75,709</u></u>

# **VILLAGE OF DRYDEN**

## **Notes to the Financial Statements February 28, 2007**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Dryden (the “Village”) complies with accounting principles generally accepted in the United States of America. The Village’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

#### **Reporting Entity**

The Village of Dryden, Michigan, incorporated in 1884, is governed under the provisions of Act 3 of 1895 of the State of Michigan. The Act provides for the operation of the Village by an elected Village Council consisting of a President, Clerk/Treasurer and six Trustees, and provides services to its approximately 850 residents in many areas including highways and streets, public works, sanitation, cemetery operations, recreation and general administrative services. In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America, currently GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Based upon the application of these criteria, the basic financial statements of the Village contain all the funds controlled by the Village’s Board of Officials as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Village.

#### **Basis of Presentation**

##### **Government-wide Financial Statements:**

The statement of net assets and the statement of activities display information about the Village, the primary government, as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

In the government-wide statement of net assets, the columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net assets are reported in three parts: invested in capital assets, net of related debt, restricted for debt payment and unrestricted net assets.

# **VILLAGE OF DRYDEN**

## **Notes to the Financial Statements (continued)**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The government-wide statement of activities demonstrates the degree to which the direct expenses (including depreciation) of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

In creating the government-wide financial statements the Village has eliminated interfund transactions. This government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net assets resulting from the current year's activities.

#### **Fund Financial Statements:**

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

#### **Governmental Funds**

**General Fund** – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Village. Revenues are derived primarily from property taxes, state distributions, grants and other governmental revenues.

# **VILLAGE OF DRYDEN**

## **Notes to the Financial Statements (continued)**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources other than special assessments that are legally or contractually restricted to expenditures for specific purposes.

Permanent Funds – Permanent Funds are used to account for resources that are legally restricted to allow the earnings, but not the principal, to be used to support the governments programs.

The Village reports the following major governmental funds:

- Downtown Development Authority

The Downtown Development Authority is a special revenue fund that is used to record the activity of the downtown development district of the Village.

- Major Streets

The Major Streets Fund is a special revenue fund that is used to record the operations and maintenance activity on the major streets of the Village.

The Village reports the following nonmajor governmental funds:

- Local Streets

The Local Streets Fund is a special revenue fund that is used to record the operations and maintenance activity on the local streets of the Village.

- Municipal Streets

The Municipal Streets Fund is a special revenue fund that is used to record the operations and maintenance activity on the municipal streets of the Village.

- Cemetery Operating

The Cemetery Operating Fund is a special revenue fund that is used to record the operations of the cemetery of the Village.

- Garbage Collection

The Garbage Collection Fund is a special revenue fund that is used to record the garbage collection activity of the Village.

- Cemetery Perpetual Care

The Cemetery Perpetual Care Fund is a permanent fund used to record the guaranteed maintenance activity on the Village's cemetery. This fund was closed during the year and its net assets were transferred into the Cemetery Operating fund.



# **VILLAGE OF DRYDEN**

## **Notes to the Financial Statements (continued)**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Proprietary Fund**

Enterprise Fund – Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The following fund is included:

- Water and Sewer

The Water and Sewer fund is an enterprise fund used to record the activities related to providing water and sewer services to the Village's citizens.

#### **Measurement Focus and Basis of Accounting**

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when susceptible to accrual (i.e., when it is "measurable and available"). Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures are recorded when the related fund liability is incurred, except interest on long-term debt, which is recorded when paid.

Amounts reported as program revenue include: charges to customers or applicants for goods, services or privileges provided, operating grants, capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

#### **Policies and Practices**

Michigan Compiled Laws, Section 129.91 authorizes the Village to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank, savings and loan association or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation or National Credit Union Administration, respectively. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Village's deposits and investment policy are in accordance with statutory authority.

# VILLAGE OF DRYDEN

## Notes to the Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Assets, Liabilities and Fund Equity

Deposits and investments – The Village’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Interfund receivables/payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the governmental funds’ balance sheet and the proprietary fund’s statement of net assets.

Accounts receivable – The Village considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations in the period of uncollectibility.

Deferred income – Deferred income represents the unearned portion of payments made on a five year lease for the use of certain water system assets.

Capital assets – Capital assets include property, plant, equipment and infrastructure assets (water and sewer lines and similar items) and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial cost of more than \$5,000 and an estimated useful life of more than one year. All property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated property and equipment are valued at their estimated fair value on the date donated.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-39.5 years
Equipment	3-7 years
Vehicles	5-10 years
Water and sewer systems	50 years

Long-term obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt (reported at face value) and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statements of net assets.

# **VILLAGE OF DRYDEN**

## **Notes to the Financial Statements (continued)**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Equity classifications – In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net assets – consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors or laws and regulations of other governments or through constitutional provisions or enabling legislation.
- Unrestricted net assets – consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements, designations of unreserved fund balances in the governmental funds indicate tentative plans for use of financial resources in a future period. Unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

#### **Use of Estimates**

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America, requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

### **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budget Requirements, Accounting and Reporting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All annual appropriations lapse at the fiscal year end. Each fund’s appropriated budget is prepared on a detailed line-item basis. The Village does not maintain a formalized encumbrance accounting system.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to February 28, the Budget Committee submits to the Village Board, a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Village’s annual board meeting to obtain taxpayer comments.

## VILLAGE OF DRYDEN

### Notes to the Financial Statements (continued)

#### 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

3. Prior to March 1, the budget is legally adopted by a Village Board Resolution pursuant to the uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires the budget to be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget or in excess of the amount appropriated. Any expenditure in violation of the budgeting act is disclosed as an unfavorable variance on the Budgetary Comparison Schedule – General and Major Special Revenue Fund Types (accounting principles generally accepted in the United States of America basis).
4. The Council is authorized to transfer budgeted amounts between line-items within an activity.
5. The budget, as presented, was not amended during the fiscal year.
6. Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

#### Excess of Expenditures Over Appropriations in Budgeted Funds

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted at the line-item level.

During the year ended February 28, 2007, the Village incurred expenditures in excess of the amounts appropriated, as follows:

Fund	Total Appropriations	Amount of Expenditure	Budget Variance
General Fund:			
Legislative	\$ 12,600	\$ 13,500	\$ 900
General government	99,700	108,798	9,098

#### 3. CASH AND CASH EQUIVALENT DEPOSITS – CUSTODIAL CREDIT RISK

Cash deposits and investments (certificates of deposit with maturities less than 90 days) are carried at cost. Cash deposits and certificates of deposit of the Village are in the name of the Village at one bank.

At February 28, 2007, the Village had two depository accounts. The Village does not have a deposit policy. The book value of the Village's bank deposits, consisting of two interest bearing checking accounts were \$839,397. Of the bank balance, \$100,000 was covered by Federal depository insurance and \$739,508 was uninsured and uncollateralized; therefore, subjecting the Village to custodial credit risk. Custodial risk is the risk that, in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. However, the Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# VILLAGE OF DRYDEN

## Notes to the Financial Statements (continued)

### 3. CASH AND CASH EQUIVALENT DEPOSITS – CUSTODIAL CREDIT RISK (continued)

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 100,000
Uninsured and uncollateralized	<u>739,508</u>
Total	<u>\$ 839,508</u>

### 4. INVESTMENTS

At February 28, 2007, the Village had the following investments and maturities:

	<u>Investment Maturities (in years)</u>				
	<u>Fair Market Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
Deposits:					
Certificates of Deposit	\$ 400,000	\$ 400,000			
Total investments	<u>400,000</u>	<u>400,000</u>	\$ -	\$ -	\$ -
Less investments reported as “Cash and Cash Equivalents” on the Statement of Net Assets		-			
Total investments	<u>\$ 400,000</u>				
As reported on the Statement of Net Assets					
Current investments	\$ 400,000				
Noncurrent investments	-				
Total investments	<u>\$ 400,000</u>				

### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Village’s investment policy does not specifically address interest rate risk. The Village’s policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market.

### Credit Risk

Credit risk is the risk that an issuer of or counterparty to an investment will not fulfill its obligations. The Village’s investments are limited by those authorized under Public Act 20 of 1943 (as amended) for credit risk. The Village has no other investment policies further limiting its investment choices.

### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village does not have a deposit policy for custodial credit risk of investments. The Village’s certificates of deposit are not rated. However, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

## VILLAGE OF DRYDEN

### Notes to the Financial Statements (continued)

#### 4. INVESTMENTS (continued)

##### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Village's policy minimizes the concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

##### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. State law and the Village's policy prohibit investment in foreign currency.

#### 5. RESTRICTED ASSET – ACCOUNTS RECEIVABLE

During the fiscal year, the Village enacted legislation to assess upon its citizens a flat rate for debt retirement purposes. The amounts collected under the debt retirement program are to be used to pay liabilities applicable to the water and sewer system as they mature. Debt retirement rates were first billed at the end of the fourth quarter of the fiscal year ending February 28, 2007. The resulting receivable and net assets due to the revenue recognition are both shown as restricted, because all amounts collected can only be used for debt retirement.

#### 6. INTERFUND RECEIVABLES AND PAYABLES

The amount of the interfund receivables and payables is as follows:

Receivable Fund	Payable Fund	Amount
General	Major Street	\$ 28,111
General	Local Street	7,285
General	Cemetery Operating	30,623
General	Water & Sewer	70,991
Municipal Street Downtown	General	33,121
Development Authority	General	<u>50,334</u>
	Total	<u>\$ 220,465</u>

#### 7. PROPERTY TAXES

Property taxes are levied and become a lien on each July 1 on the taxable assessed value listed as of the prior July 31 and are due without penalty on or before September 14 for all real and business personal property located in the Village. The taxable value of the certified roll on December 31, 2006, upon which the levy for the 2007 fiscal year was based, was \$23,172,585. Property taxes are recorded as revenue in the fiscal year beginning immediately subsequent to the tax levy date of July 1.

The tax rates assessed for the year ended February 28, 2007 to finance operations and debt was 9.8110 per \$1,000 valuation.

# VILLAGE OF DRYDEN

## Notes to the Financial Statements (continued)

### 8. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity of the Village for the year ended February 28, 2007 was as follows:

	March 1, 2006	Additions	Disposals and Adjustments	February 28, 2007
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 74,386			\$ 74,386
Subtotal, assets not being depreciated:	74,386			74,386
Capital assets being depreciated:				
Land improvements	28,278	\$ 5,045		33,323
Buildings	135,678			135,678
Equipment	183,642	6,124		189,766
Vehicles	55,296			55,296
Subtotal, assets being depreciated:	402,894	11,169		414,063
Less accumulated depreciation:				
Land improvements	179	799		978
Buildings	74,358	3,435		77,793
Equipment	112,015	15,138		127,153
Vehicles	51,355	3,940		55,295
Subtotal	237,907	23,312		261,219
Net capital assets being depreciated	164,987	(12,143)		152,844
Governmental activities capital assets – net	<u>\$ 239,373</u>	<u>\$ (12,143)</u>	<u>\$ -</u>	<u>\$ 227,230</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 16,700			\$ 16,700
Subtotal, assets not being depreciated:	16,700			16,700
Capital assets being depreciated:				
Sewer system	2,667,818	\$ 88,202		2,756,021
Water system	1,653,195			1,653,195
Buildings	11,795			11,795
Equipment	15,350			15,350
Subtotal, assets being depreciated:	4,348,158	88,202		4,436,361
Less accumulated depreciation:				
Sewer system	788,617	53,944		842,562
Water system	370,924	33,064		403,988
Buildings	11,795			11,795
Equipment	15,350			15,350
Subtotal	1,186,686	87,008		1,273,695
Net capital assets being depreciated	3,161,472	1,194		3,162,666
Business-type activities capital assets – net	<u>\$ 3,178,172</u>	<u>\$ 1,194</u>	<u>\$ -</u>	<u>\$ 3,179,366</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	\$ 23,312
Business-type activities	87,008
Total all activities	<u>\$ 110,320</u>

# VILLAGE OF DRYDEN

## Notes to the Financial Statements (continued)

### 9. LONG-TERM DEBT

#### Business-Type Activities

At February 28, 2007, outstanding debt consisted of the following:

County of Lapeer Waste Water Treatment System Refunding Bonds – Village of Dryden (Limited Tax General Obligation) dated March 1, 1996, amended February 28, 2006, for the advanced refunding of the Lapeer County Waste Water Treatment System Bonds, which were dated March 1, 1990. The debt is secured by a pledge of the Village's limited tax full faith and credit. Due in installments April 1, 2007 through April 1, 2014 with interest at 3.5% to 4.1%. \$ 945,000

Land contract executed during September 1997 with Dryden Community Schools to purchase land for the construction of a new water well. Imputed interest at 7% with quarterly payments equal to one-half of the water charge for an existing school building within the Village of Dryden. 1,566

Michigan Drinking Water Revolving Fund Loan dated September 29, 1998 for the purpose of defraying part of the cost of constructing drinking water system improvements with the Village of Dryden. The debt is secured by a pledge of the Village's limited tax full faith and credit. Due in annual installments April 1, 2000 through April 1, 2019 with interest at 2.5%. 701,507

Total long-term debt \$ 1,648,073

The following is a summary of the changes in long-term debt for the year ended February 28, 2007:

Business type Activities:

	Balance March 1, 2006	Increases	Decreases	Balance February 28, 2007
County of Lapeer Waste Water Treatment System Refunding Bonds	\$ 945,000			\$ 945,000
Land contract	2,980		\$ 1,414	1,566
Michigan Drinking Water Revolving Fund Loan	746,507		45,000	701,507
	<u>\$ 1,694,487</u>	<u>\$ -</u>	<u>\$ 46,414</u>	<u>\$ 1,648,073</u>
Less current portion				146,000
Total long-term debt, net of current portion				<u>\$ 1,502,073</u>

Interest expense for the year ended February 28, 2007 was \$49,646 from all activities.



## VILLAGE OF DRYDEN

### Notes to the Financial Statements (continued)

#### 9. LONG-TERM DEBT (continued)

##### Debt Service Requirements

Business-type Activities:

Debt service requirements – The annual principal and interest requirements through maturity for all debts outstanding as of February 28, 2007:

Fiscal Year Ending	Principal	Interest	Total
2008	\$ 146,000	\$ 50,405	\$ 196,405
2009	150,566	45,755	196,321
2010	155,000	40,813	195,813
2011	165,000	35,546	200,546
2012	170,000	29,948	199,948
2013	180,000	23,978	203,978
2014	185,000	17,660	202,660
2015	190,000	11,049	201,049
2016	55,000	6,975	61,975
2017	60,000	5,538	65,538
2018	65,000	3,975	68,975
2019	65,000	2,350	67,350
2020	61,507	769	62,276
	<u>\$1,648,073</u>	<u>\$ 274,761</u>	<u>\$ 1,922,834</u>

#### 10. RETIREMENT PLAN

The Village of Dryden participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan.

The plan covers substantially all eligible full-time employees of the Village. The membership at February 28, 2007, was composed of three active participants, one inactive vested member with deferred benefits and one retired member receiving benefits. In general, all employees are eligible for normal retirement as follows:

- Age 60 with 10 or more years of service
- Age 55 with 15 or more years of service – at reduced benefits
- Age 50 with 25 or more years of service – at reduced benefits

Under the plan there is no mandatory retirement age. Normal retirement benefits are based on 2% of the Final Average Compensation (FAC) multiplied by years of credited service. The retirement allowance is reduced 1/2% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available.

## VILLAGE OF DRYDEN

### Notes to the Financial Statements (continued)

#### 10. RETIREMENT PLAN (continued)

In addition to the normal retirement provisions, the plan allows for the following retirement provisions at normal or reduced benefits:

- Deferred retirement – any age with 10 or more years of service.
- Disability retirement allowance – any age with 10 or more years of service. The service requirement is waived if the disability is from service-connected causes.
- Non-duty death allowance – any age with 10 or more years of service before retirement, a monthly survivor allowance may be payable.
- Duty connected death – no age or service requirements.

The plan elected by the Council does not require a member contribution of employees' annual compensation. If a member leaves the employment of the Village or dies without a retirement allowance or other benefits payable on his/her account, his/her accumulated contributions, if any, will be refunded to him/her, if living, or to his/her designated beneficiary.

#### Funding Status and Progress

The amount shown in the following table as the "actuarial accrued liability" is a standardized disclosure measurement of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measurement is the actuarial present value of credited projected benefits and is intended to (1) help users assess the plan's funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) allow for comparisons among public employee retirement plans. The measurement is independent of the actuarial funding method used to determine contributions to the plan.

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the pension benefit obligation include a rate of return on the investment of present and future assets of 8.0% per year compounded annually, projected salary increases of 4.5% per year compounded annually and 4.5% attributable to inflation.

## VILLAGE OF DRYDEN

### Notes to the Financial Statements (continued)

#### 10. RETIREMENT PLAN (continued)

At December 31, 2006, the unfunded (over-funded) actuarial accrued liability was \$484, as determined in the following table:

Actuarial accrued liability:

Retirees and beneficiaries currently receiving benefits	\$ 184,188
Terminated employees not yet receiving benefits	41,797
Current employees	
Accumulated employee contributions including allocated investment income	13,897
Employer financed	<u>82,446</u>
Total actuarial accrued liability	322,328
Net assets available for benefits at actuarial value (at market – \$326,346)	<u>21,844</u>
Unfunded (over-funded) actuarial accrued liability	<u>\$ 484</u>

During the year ended December 31, 2006, the plan experienced a net change of \$7,490 in the unfunded (over-funded) actuarial accrued liability. There were no changes in actuarial assumptions during the year. The change in the actuarial accrued liability resulting from benefit changes, if any, has not been computed.

#### Contributions Required and Contributions Made

MERS' funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using an entry age normal funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

The Village's contribution is based on the annual actuarial valuation. During the year ended February 28, 2007, the Village made contributions of \$2,485 and participants made no contributions to the plan.

In accordance with Statement 27 of the Governmental Accounting Standards Board, for the fiscal year beginning March 1, 2007, the annual required contribution is \$8,496 using an amortization factor of 0.054719 for under-funded liabilities.

## VILLAGE OF DRYDEN

### Notes to the Financial Statements (continued)

#### 10. RETIREMENT PLAN (continued)

##### Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information for the Village of Dryden is as follows:

##### Analysis of Retirement System Assets and Accrued Liability

Year	Active Members	Net Assets Available For Benefits At Actuarial Value	Actuarial Accrued Liability	Unfunded (Over-funded) Actuarial Liability	Percent Funded	Annual Covered Payroll	Unfunded AAL as a Percent of Covered Payroll	Employer Contributions as a Percent of Payroll
1997	3	191,134	193,857	2,723	99	69,094	4	5.34
1998	2	217,074	194,293	(22,781)	112	62,168	-	3.33
1999	2	251,811	200,756	(51,055)	125	65,234	-	1.06
2000	2	279,018	200,966	(78,052)	139	69,725	-	(2.49)
2001	2	304,068	217,801	(86,267)	140	72,378	-	-
2002	1	302,203	246,603	(55,600)	123	36,760	-	-
2003	1	305,942	258,854	(47,088)	118	45,735	-	-
2004	3	308,086	269,659	(38,427)	114	76,721	-	-
2005	3	312,579	305,573	(7,006)	102	98,602	-	-
2006	3	321,844	322,328	484	100	100,689	-	2.47

Total retired life liabilities are reflected above. Actuarial assumptions were revised for the 1993, 1997, 2000 and 2004 valuations. Analysis of the dollar amounts of net assets available for benefits, actuarial accrued liability and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of actuarial accrued liability provides one indication of the plan's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded actuarial accrued liability and annual covered payroll are both affected by inflation.

#### 11. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Village carries commercial insurance for risks to cover these losses. The Village also continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

#### 12. CONTINGENCIES

The Village is involved in various legal actions arising in the normal course of business. In the opinion of the Village Council, such matters will not have a material effect upon the financial position of the Village.

#### 13. SUBSEQUENT EVENT

The Village is involved in discussions with Lapeer County to assume debt which will enable the Village to begin construction of a water treatment plant during the fiscal year ended February 28, 2008. It is not known at this time what the precise future impact will be on the financial statements.

## Required Supplemental Information

Village of Dryden  
Required Supplemental Information  
Budgetary Comparison Schedule - General and Major Special Revenue Fund Types  
Year ended February 28, 2007

	General Fund				Major Street Fund				Downtown Development Authority			
	Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues												
Property taxes	\$ 173,000	\$ 173,000	\$ 176,927	\$ 3,927					\$ 135,259	\$ 135,259	\$ 127,677	\$ (7,582)
Intergovernmental	72,219	72,219	70,350	(1,869)	\$ 46,000	\$ 46,000	\$ 44,684	\$ (1,316)				
Charges for services			2,890	2,890								
Rental income	1,500	1,500	3,275	1,775								
Interest	13,924	13,924	11,326	(2,598)	3,000	3,000	5,932	2,932	3,500	3,500	20,692	17,192
Other			4,670	4,670								
Total revenues	<u>260,643</u>	<u>260,643</u>	<u>269,438</u>	<u>8,795</u>	<u>49,000</u>	<u>49,000</u>	<u>50,616</u>	<u>1,616</u>	<u>138,759</u>	<u>138,759</u>	<u>148,369</u>	<u>9,610</u>
Expenditures												
Legislative	12,600	12,600	13,500	900								
General government	99,700	99,700	108,798	9,098					55,000	55,000	13,424	(41,576)
Public safety	1,000	1,000		(1,000)								
Public works	101,000	101,000	76,338	(24,662)	41,900	41,900	35,280	(6,620)				
Parks & recreation	1,000	1,000		(1,000)								
Capital outlay	<u>45,343</u>	<u>45,343</u>	<u>6,124</u>	<u>(39,219)</u>	<u>7,100</u>	<u>7,100</u>		<u>(7,100)</u>	<u>474,037</u>	<u>474,037</u>	<u>5,045</u>	<u>(468,992)</u>
Total expenditures	<u>260,643</u>	<u>260,643</u>	<u>204,760</u>	<u>(55,883)</u>	<u>49,000</u>	<u>49,000</u>	<u>35,280</u>	<u>(13,720)</u>	<u>529,037</u>	<u>529,037</u>	<u>18,469</u>	<u>(510,568)</u>
Excess of revenues over expenditures			64,678	64,678			15,336	15,336	(390,278)	(390,278)	129,900	520,178
Other financing sources (uses)												
Transfers out									(25,000)	(25,000)	(25,000)	
Total excess of revenues over expenditures and other financing sources (uses)			64,678	64,678			15,336	15,336	(415,278)	(415,278)	104,900	520,178
Fund balance, beginning of year	<u>261,418</u>	<u>261,418</u>	<u>261,418</u>		<u>131,850</u>	<u>131,850</u>	<u>131,850</u>		<u>550,537</u>	<u>550,537</u>	<u>550,537</u>	
Fund balance, end of year	<u>\$ 261,418</u>	<u>\$ 261,418</u>	<u>\$ 326,096</u>	<u>\$ 64,678</u>	<u>\$ 131,850</u>	<u>\$ 131,850</u>	<u>\$ 147,186</u>	<u>\$ 15,336</u>	<u>\$ 135,259</u>	<u>\$ 135,259</u>	<u>\$ 655,437</u>	<u>\$ 520,178</u>

## Other Supplemental Information

Village of Dryden  
Combining Balance Sheet  
Nonmajor Governmental Funds  
February 28, 2007

	Special Revenue				Permanent	Total
	Local	Municipal	Cemetery	Garbage	Cemetery	Nonmajor
	Street	Street	Operating	Collection	Perpetual	Funds
Assets						
Cash and cash equivalents	\$ 58,946	\$ 922	\$ 112,588	\$ 25,914	\$ -	\$ 198,370
Due from other governments	2,202					2,202
Due from other funds		33,121				33,121
Total assets	<u>\$ 61,148</u>	<u>\$ 34,043</u>	<u>\$ 112,588</u>	<u>\$ 25,914</u>	<u>\$ -</u>	<u>\$ 233,693</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 98			\$ 2,740	\$ -	\$ 2,838
Accrued expenses	269					269
Due to other funds	7,285		\$ 30,623			37,908
Total liabilities	<u>7,652</u>		<u>30,623</u>	<u>2,740</u>	<u>-</u>	<u>41,015</u>
Fund balances						
Unreserved and undesignated	53,496	\$ 34,043	81,965	23,174	-	192,678
Total fund balances	<u>53,496</u>	<u>34,043</u>	<u>81,965</u>	<u>23,174</u>	<u>-</u>	<u>192,678</u>
Total liabilities and fund balance:	<u>\$ 61,148</u>	<u>\$ 34,043</u>	<u>\$ 112,588</u>	<u>\$ 25,914</u>	<u>\$ -</u>	<u>\$ 233,693</u>



Village of Dryden  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year ended February 28, 2007

	<b>Special Revenue</b>				<b>Permanent</b>	<b>Total</b>
	<b>Local Street</b>	<b>Municipal Street</b>	<b>Cemetery Operating</b>	<b>Garbage Collection</b>	<b>Cemetery Perpetual</b>	<b>Nonmajor Funds</b>
Revenues						
Property taxes				\$ 33,273		\$ 33,273
Intergovernmental	\$ 11,145					11,145
Charges for services			\$ 16,447		\$ 4,500	20,947
Interest	2,161	\$ 38	2,767	1,099	1,759	7,824
Other			725			725
Total revenues	<u>13,306</u>	<u>38</u>	<u>19,939</u>	<u>34,372</u>	<u>6,259</u>	<u>73,914</u>
Expenditures						
Current						
General government			19,820			19,820
Public works	8,834			34,629		43,463
Total expenditures	<u>8,834</u>	<u></u>	<u>19,820</u>	<u>34,629</u>	<u></u>	<u>63,283</u>
Other financing sources (uses)						
Transfers in			87,609			87,609
Transfers out					(87,609)	(87,609)
Total other financing sources (uses)	<u></u>	<u></u>	<u>87,609</u>	<u></u>	<u>(87,609)</u>	<u>-</u>
Excess of revenues over (under) expenditures and net change in fund balances	4,472	38	87,728	(257)	(81,350)	10,631
Fund balance (deficit), beginning of year	<u>49,024</u>	<u>34,005</u>	<u>(5,763)</u>	<u>23,431</u>	<u>81,350</u>	<u>182,047</u>
Fund balance (deficit), end of year	<u>\$ 53,496</u>	<u>\$ 34,043</u>	<u>\$ 81,965</u>	<u>\$ 23,174</u>	<u>\$ -</u>	<u>\$ 192,678</u>

**VILLAGE OF DRYDEN**  
**REPORT TO THE VILLAGE COUNCIL**  
**JULY 16, 2007**

**Andrews Hooper & Pavlik P.L.C.**  
**Certified Public Accountants**  
**3201 University Drive, Suite 350**  
**Auburn Hills, Michigan 48326**



ANDREWS HOOPER & PAVLIK P.L.C.  
**Certified Public Accountants**

Village Council  
Village of Dryden  
Dryden, Michigan 48074

In planning and performing our audit of the financial statements of the Village of Dryden as of and for the year ended February 28, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed within this letter, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The following deficiencies in the year-end closing process, the general ledger and the Downtown Development Authority (DDA) general ledger are considered material weaknesses.

## **YEAR-END CLOSING PROCESS**

We noted during our audit that management is not currently making all the adjusting journal entries related to the year-end closing process. However, management was able to provide support for the required entries. A well-designed system of internal control includes a process for accurately summarizing and reporting financial data on a timely basis. We had to make entries to record the DDA's activity, debt and fixed asset activity, certain accruals and certain reclassification adjustments. We recommend that management record the adjusting journal entries and finalize the trial balance prior to the start of audit fieldwork.

## **GENERAL LEDGER**

We noted the general ledger is not reviewed by the Village on a regular basis. We recommend that a general ledger be obtained from the third party accounting agency on a monthly basis and be reviewed by the Village. This would assist the Village in determining the status of the financial activity for all funds on a regular basis.

## **DOWNTOWN DEVELOPMENT AUTHORITY GENERAL LEDGER**

We noted the Village does not include the general ledger activity for the Downtown Development Authority (DDA) in the general ledger of the Village. We recommend that the general ledger activity for the DDA be included in the general ledger of the Village.

The remaining deficiencies are not considered significant deficiencies or material weaknesses.

## **CASH ALLOCATIONS**

We noted during our audit that cash was not properly allocated among the funds during the year. This is a result of the Village having only one bank account for all funds. We recommend the Village allocate cash among the funds on a monthly basis. As an alternative, the Village could obtain a separate bank account for each fund and separately record the cash activity for each fund on a monthly basis.

## **DUE TO/DUE FROM OTHER FUNDS**

We noted that the Due to and Due from Other Funds amounts have not been paid between funds and the balances have been increasing. We recommend the Village allocate cash among the funds in the future to include paying off the Due to and Due from Other Funds amounts.

## **BUDGETS**

We noted the budgets are not amended during the fiscal year to more accurately reflect actual results of operations. Furthermore, we noted that the initial budget for fiscal year 2007 was not approved prior to March 1, 2006, as required by the Uniform Budgeting and Accounting Act. We recommend that the budgets are amended prior to the end of the fiscal year to more accurately reflect actual results of operations, and that the Village Council approve the initial budget prior to the start of the fiscal year.

\* \* \* \* \*

The above comments represent our observations during the course of the audit and are intended to be constructive suggestions for improvement. We would be pleased to discuss these comments with you at greater length and to assist you with any other needs, should you so desire.

Once again, we would like to thank the Village for its support and assistance during our audit.

This report is intended solely for the information and use of the Village Council, management and others within the Village and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Andrews Hloopen & Pavlik P.L.C.*